

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

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Hubbard-Radcliffe Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Marland Winter	President	2015
Bob Westendorf	Vice President	2015
Keith England	Board Member	2013
Leon Schwartz	Board Member	2015
Stephanie Zierke	Board Member	2013
<u>School Officials</u>		
Joel Semprini	Superintendent (Retired March 14, 2013)	2013
Steve Lane	Superintendent (Approved March 15, 2013)	2013
Debra England	District Secretary	2013
Linda Imsland	District Treasurer	2013
Rick Engel	Attorney	2013

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report

To the Board of Education of the Hubbard-Radcliffe Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, business type activities, each major fund and the aggregate remaining fund information of Hubbard-Radcliffe Community School District, Hubbard, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Hubbard-Radcliffe Community School District at June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information.

U.S generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hubbard-Radcliffe Community School District's basic financial statements. Another auditor previously audited, in accordance with standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 21, 2014 on our consideration of the Hubbard-Radcliffe Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Hubbard-Radcliffe Community School District's internal control over financial reporting and compliance.


NOLTE, CORNMAN & JOHNSON, P.C.

February 21, 2014
Newton, Iowa

Hubbard-Radcliffe Community School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hubbard-Radcliffe Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,230,911 in fiscal 2012 to \$5,064,077 in fiscal 2013, while General Fund expenditures increased from \$5,010,434 in fiscal 2012 to \$5,235,943 in fiscal 2013. The District's General Fund balance decreased from \$1,202,133 in fiscal 2012 to \$1,030,267 in fiscal 2013, representing a decrease of 14.30%.
- The decrease in General Fund revenues was attributable to a decrease in local tax and federal sources as compared to the previous year. The increase in expenditures was due to the increase in instructional expenditures due to the District increasing the number of teachers on staff and the increase in negotiated salaries and benefits for the certified staff.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Hubbard-Radcliffe Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Hubbard-Radcliffe Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Hubbard-Radcliffe Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

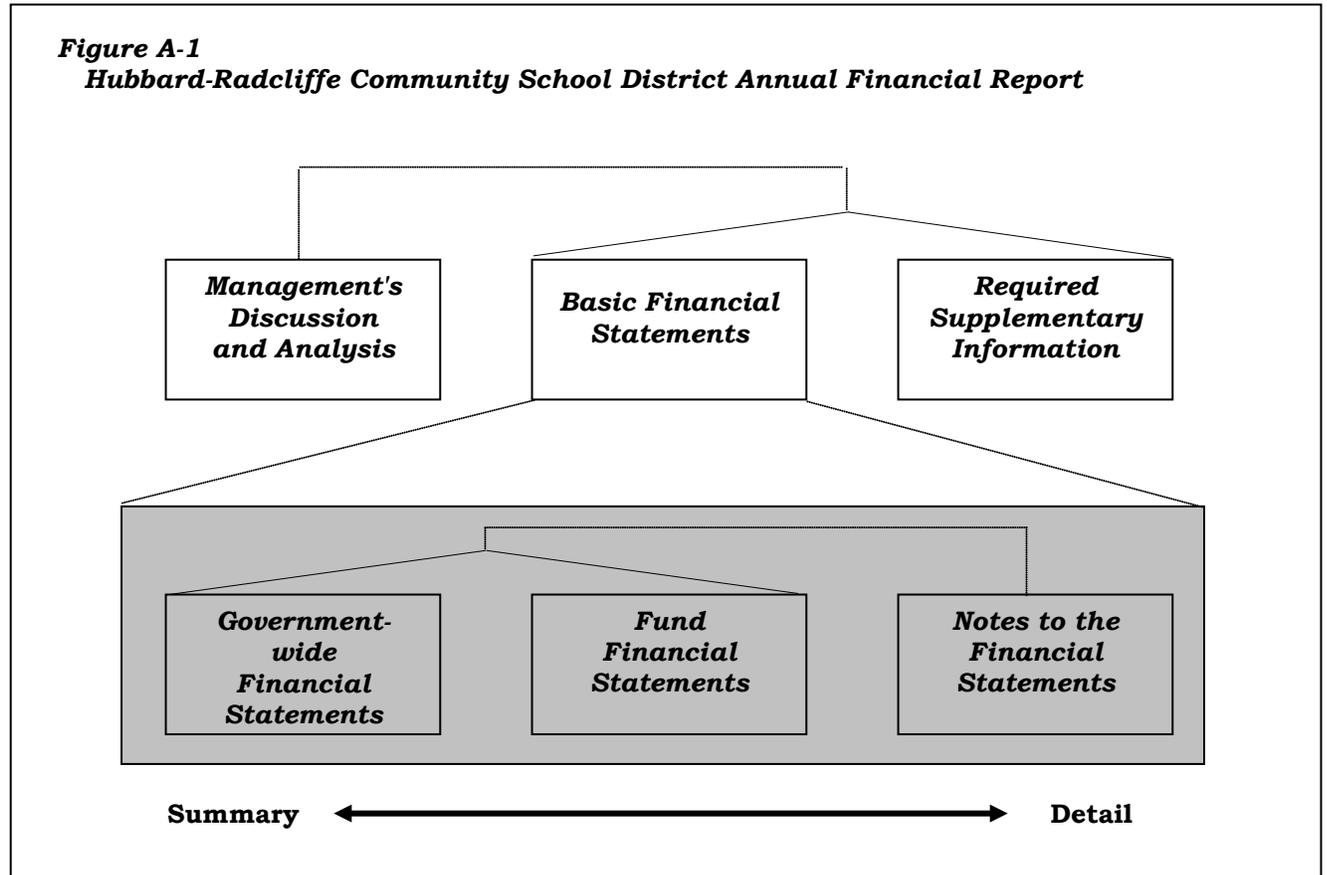


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: e.g., food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and preschool programs are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Preschool Fund. The District uses Internal Service Funds, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund used to account for the District's employee flexible benefit plan.

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows.

- 3) Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund.

Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s net position at June 30, 2013 compared to June 30, 2012.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 15,054,930	6,523,281	51,839	63,763	15,106,769	6,587,044	129.34%
Capital assets	4,958,525	4,931,519	62,986	49,195	5,021,511	4,980,714	0.82%
Total assets	20,013,455	11,454,800	114,825	112,958	20,128,280	11,567,758	74.00%
Long-term obligations	11,373,074	3,254,138	3,663	1,493	11,376,737	3,255,631	249.45%
Other liabilities	4,299,068	3,659,958	10,565	3,942	4,309,633	3,663,900	17.62%
Total liabilities	15,672,142	6,914,096	14,228	5,435	15,686,370	6,919,531	126.70%
Net position:							
Invested in capital assets, net of related debt	2,019,887	1,771,519	62,986	49,195	2,082,873	1,820,714	14.40%
Restricted	1,515,324	1,647,207	-	-	1,515,324	1,647,207	-8.01%
Unrestricted	806,102	1,121,978	37,611	58,328	843,713	1,180,306	-28.52%
Total net position	\$ 4,341,313	4,540,704	100,597	107,523	4,441,910	4,648,227	-4.44%

The District’s combined net position decreased by 4.44%, or \$206,317, from the prior year. The largest portion of the District’s net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$131,883 or 8.01% from the prior year. This was primarily the result of a decrease in the net position of the Capital Projects: Statewide Sales, Service and Use Tax Fund and the Student Activity Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$336,593 or 28.52%. This decrease in unrestricted net position was primarily the result of the District's decrease in the General Fund carryover balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to June 30, 2012.

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 1,198,532	1,064,748	129,288	144,211	1,327,820	1,208,959	9.83%
Operating grants, contributions and restricted interest	349,381	685,018	128,367	115,867	477,748	800,885	-40.35%
Capital grants, contributions and restricted interest	-	1,202	-	-	-	1,202	-100.00%
General revenues:							
Property tax	2,491,848	2,869,476	-	-	2,491,848	2,869,476	-13.16%
Statewide sales, services and use tax	327,356	285,203	-	-	327,356	285,203	14.78%
Unrestricted state grants	1,451,606	1,164,913	-	-	1,451,606	1,164,913	24.61%
Unrestricted interest income	22,046	23,813	568	613	22,614	24,426	-7.42%
Other	54,285	13,741	1,207	-	55,492	13,741	303.84%
Transfers	(22,863)	(11,634)	22,863	11,634	-	-	0.00%
Total revenues and transfers	5,872,191	6,096,480	282,293	272,325	6,154,484	6,368,805	-3.37%
Program expenses:							
Governmental activities:							
Instruction	3,993,752	3,684,574	73,791	-	4,067,543	3,684,574	10.39%
Support services	1,615,119	1,482,455	-	-	1,615,119	1,482,455	8.95%
Non-instructional programs	-	1,341	215,428	241,567	215,428	242,908	-11.31%
Other expenses	462,711	572,701	-	-	462,711	572,701	-19.21%
Total expenses	6,071,582	5,741,071	289,219	241,567	6,360,801	5,982,638	6.32%
Increase in net position	(199,391)	355,409	(6,926)	30,758	(206,317)	386,167	-153.43%
Net position beginning of year	4,540,704	4,185,295	107,523	76,765	4,648,227	4,262,060	9.06%
Net position end of year	\$ 4,341,313	4,540,704	100,597	107,523	4,441,910	4,648,227	-4.44%

In fiscal 2013, property tax, statewide sales, services and use tax and unrestricted state grants account for 72.73% of the revenue from governmental activities while charges for services and operating grants and contributions account for 91.27% of the revenue from business type activities.

The District's total revenues were approximately \$6.15 million of which approximately \$5.87 million was for governmental activities and approximately \$0.28 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.38% decrease in revenues and a 6.31% increase in expenses. The increase in expenses is primarily related to increases in negotiated salaries and benefits payable.

Governmental Activities

Revenues for governmental activities were \$5,872,191 and expenses were \$6,071,582 for the year ended June 30, 2013.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 3,993,752	3,684,574	8.39%	2,641,186	2,111,633	25.08%
Support services	1,615,119	1,482,455	8.95%	1,578,067	1,472,696	7.15%
Non-instructional programs	-	1,341	-100.00%	-	1,341	-100.00%
Other expenses	462,711	572,701	-19.21%	304,416	404,433	-24.73%
Totals	\$ 6,071,582	5,741,071	5.76%	4,523,669	3,990,103	13.37%

- The cost financed by users of the District's programs was \$1,198,532.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$349,381.
- The net cost of governmental activities was financed with \$2,491,848 in property tax, \$327,356 in statewide sales, services and use tax, \$1,451,606 in unrestricted state grants, \$22,046 in interest income, \$54,285 in other general revenues, and capital contributions to the nutrition fund shown as transfers of \$22,863.

Business-Type Activities

Revenues of the District's business type activities were \$282,293 and expenses were \$289,219. The District's business type activities include the School Nutrition Fund and the Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income and capital contributions from the governmental funds.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Hubbard-Radcliffe Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$10,825,408, which is more than last year's ending fund balances of \$2,791,909. This increase is primarily a result of the District's unspent bond proceeds from issuing \$8,400,000 in general obligation bonds during fiscal 2013.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,202,133 to \$1,030,267, due in part to the decrease in local source revenues coupled with increased expenditures due to negotiated salaries and benefits.
- The Capital Projects Fund balance increased from \$787,397 to \$9,045,371. This increase is primarily due to the unspent bond proceeds associated with the \$8,400,000 general obligation bond issuance during the year ended June 30, 2013.
- The District's Debt Service Fund balance increased from \$182,346 to \$200,606 which was primarily due to the District issuing refunding capital loan notes. During the year ended June 30, 2013, the District issued \$1,085,000 of refunding notes to refund \$1,060,000 of capital loan notes dated September 1, 2008.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$75,428 at June 30, 2012 to \$99,929 at June 30, 2013, representing an increase of 32.48%.

The Preschool Fund net position decreased from \$32,095 at June 30, 2012 to \$668 at June 30, 2013, representing a decrease of 97.92%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$149,792 less than budgeted revenues, a variance of 2.38%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily due to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$5.02 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, technology equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 0.82% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$309,972.

The original cost of the District's capital assets was approximately \$9.34 million. Governmental funds account for approximately \$9.17 million with the remainder of approximately \$0.17 million in the Proprietary-School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$210,251 at June 30, 2013, compared to \$42,720 reported at June 30, 2012. This significant increase resulted from the District continuing renovations to the Middle School restrooms and the construction of Elementary classrooms during the year.

Figure A-6
Capital Assets, Net of Depreciation/Amortization

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 8,500	8,500	-	-	8,500	8,500	0.00%
Construction in progress	210,251	42,720	-	-	210,251	42,720	392.16%
Intangible assets	4,800	5,400	-	-	4,800	5,400	-11.11%
Buildings	4,432,352	4,468,019	-	-	4,432,352	4,468,019	-0.80%
Land improvements	28,153	30,757	-	-	28,153	30,757	-8.47%
Machinery and equipment	274,469	376,123	62,986	49,195	337,455	425,318	-20.66%
Total	\$ 4,958,525	4,931,519	62,986	49,195	5,021,511	4,980,714	0.82%

Long-Term Debt

At June 30, 2013, the District had \$11,376,737 in general obligation and other long-term debt outstanding. This represents an increase of 249.45% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bond indebtedness at June 30, 2013 of \$8,400,000.

The District had total outstanding revenue bond indebtedness at June 30, 2013 of \$1,765,000 payable from the Capital Projects: Statewide, Sales, Services and Use Tax Fund.

The District had total capital loan note indebtedness at June 30, 2013 of \$1,085,000 payable from the Capital Projects: Physical Plant and Equipment Levy Fund.

The District had total outstanding termination benefits payable from the Special Revenue - Management Levy Fund of \$16,148 at June 30, 2013.

The District had total outstanding compensated absences payable of \$34,999 at June 30, 2013.

The District had outstanding Net OPEB liability at June 30, 2013 of \$75,590. The Governmental Activities accounted for \$71,927 of this total while Business Type Activities accounted for \$3,663.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
General Obligation Bonds	\$ 8,400,000	-	-	-	8,400,000	-	100.00%
Revenue Bonds	1,765,000	1,910,000	-	-	1,765,000	1,910,000	-7.59%
Capital Loan Notes	1,085,000	1,250,000	-	-	1,085,000	1,250,000	-13.20%
Termination Benefits	16,148	16,148	-	-	16,148	16,148	0.00%
Compensated Absences	34,999	31,617	-	-	34,999	31,617	10.70%
Net OPEB liability	71,927	46,373	3,663	1,493	75,590	47,866	57.92%
Totals	\$ 11,373,074	3,254,138	3,663	1,493	11,376,737	3,255,631	249.45%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The Hardin and Hamilton county property tax valuations are declining slightly with only growth in the tiffed valuations from the windmill project.
- School finance is highly dependent upon student enrollment. The District's October 2013 student enrollment increased, however the actual growth was in students attending other school Districts. We hope this is not a trend as it will negatively impact District funding in future years.
- The District passed an \$8,400,000 general obligation bond issue in December of 2012. These funds will be used to do a large number of facility improvements, including the construction of a new gym at the Middle School.
- The District will negotiate a new salary agreement with the Hubbard-Radcliffe Education Association (HREA) in fiscal 2014. Settlements in excess of "new money" or state percentage or growth will have an adverse effect on the District's General Fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Debra England, Board Secretary/Business Manager, Hubbard-Radcliffe Community School District, 200 E. Chestnut, PO Box 129, Hubbard, IA 50122.

Basic Financial Statements

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 10,784,721	49,202	10,833,923
Receivables:			
Property tax:			
Delinquent	32,150	-	32,150
Succeeding year	3,011,707	-	3,011,707
Accounts	2,257	-	2,257
Due from other governments	1,224,095	-	1,224,095
Inventories	-	2,637	2,637
Capital assets, net of accumulated depreciation	4,958,525	62,986	5,021,511
TOTAL ASSETS	20,013,455	114,825	20,128,280
LIABILITIES			
Accounts payable	851,988	369	852,357
Salaries and benefits payable	348,212	7,154	355,366
Accrued interest payable	69,879	-	69,879
Deferred revenue:			
Succeeding year property tax	3,011,707	-	3,011,707
Other	17,282	-	17,282
Unearned revenue	-	3,042	3,042
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	165,000	-	165,000
General obligation bonds payable	360,000	-	360,000
Capital loan note payable	215,000	-	215,000
Compensated absences	34,999	-	34,999
Termination benefits payable	16,148	-	16,148
Portion due after one year:			
Revenue bonds payable	1,600,000	-	1,600,000
General obligation bonds payable	8,040,000	-	8,040,000
Capital loan note payable	870,000	-	870,000
Net OPEB liability	71,927	3,663	75,590
TOTAL LIABILITIES	15,672,142	14,228	15,686,370
NET POSITION			
Invested in capital assets, net of related debt	2,019,887	62,986	2,082,873
Restricted for:			
Categorical funding	117,572	-	117,572
Debt service	349,227	-	349,227
Management levy purposes	508,378	-	508,378
Student activities	24,638	-	24,638
School infrastructure	374,535	-	374,535
Physical plant and equipment	140,974	-	140,974
Unrestricted	806,102	37,611	843,713
TOTAL NET POSITION	\$ 4,341,313	100,597	4,441,910

SEE NOTES TO FINANCIAL STATEMENTS.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,778,296	672,901	21,676	(2,083,719)	-	(2,083,719)
Special	882,357	474,167	35,563	(372,627)	-	(372,627)
Other	333,099	40,306	107,953	(184,840)	-	(184,840)
	<u>3,993,752</u>	<u>1,187,374</u>	<u>165,192</u>	<u>(2,641,186)</u>	<u>-</u>	<u>(2,641,186)</u>
Support services:						
Student	61,181	-	8,227	(52,954)	-	(52,954)
Instructional staff	154,004	-	17,667	(136,337)	-	(136,337)
Administration	415,332	-	-	(415,332)	-	(415,332)
Operation and maintenance of plant	638,652	-	-	(638,652)	-	(638,652)
Transportation	345,950	11,158	-	(334,792)	-	(334,792)
	<u>1,615,119</u>	<u>11,158</u>	<u>25,894</u>	<u>(1,578,067)</u>	<u>-</u>	<u>(1,578,067)</u>
Long-term debt interest	148,350	-	-	(148,350)	-	(148,350)
Other expenditures:						
AEA flowthrough	158,295	-	158,295	-	-	-
Depreciation(unallocated)*	156,066	-	-	(156,066)	-	(156,066)
	<u>314,361</u>	<u>-</u>	<u>158,295</u>	<u>(156,066)</u>	<u>-</u>	<u>(156,066)</u>
Total governmental activities	<u>6,071,582</u>	<u>1,198,532</u>	<u>349,381</u>	<u>(4,523,669)</u>	<u>-</u>	<u>(4,523,669)</u>
Business type activities:						
Instruction:						
Other	73,791	-	-	-	(73,791)	(73,791)
Non-instructional programs:						
Food service operations	214,981	87,250	128,367	-	636	636
Other enterprise operations	447	42,038	-	-	41,591	41,591
Total business type activities	<u>289,219</u>	<u>129,288</u>	<u>128,367</u>	<u>-</u>	<u>(31,564)</u>	<u>(31,564)</u>
Total	<u>\$ 6,360,801</u>	<u>1,327,820</u>	<u>477,748</u>	<u>(4,523,669)</u>	<u>(31,564)</u>	<u>(4,555,233)</u>
General Revenues and transfers:						
Property tax levied for:						
General purposes				\$ 2,135,982	-	2,135,982
Capital outlay				355,866	-	355,866
Statewide sales, services and use tax				327,356	-	327,356
Unrestricted state grants				1,451,606	-	1,451,606
Unrestricted investment earnings				22,046	568	22,614
Other general revenues				54,285	1,207	55,492
Transfers				(22,863)	22,863	-
Total general revenues and transfers				<u>4,324,278</u>	<u>24,638</u>	<u>4,348,916</u>
Change in net position				(199,391)	(6,926)	(206,317)
Net position beginning of year				<u>4,540,704</u>	<u>107,523</u>	<u>4,648,227</u>
Net position end of year				<u>\$ 4,341,313</u>	<u>100,597</u>	<u>4,441,910</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments:	\$ 964,406	9,069,348	200,606	550,028	10,784,388
Receivables:					
Property tax					
Delinquent	26,374	4,481	-	1,295	32,150
Succeeding year	2,019,169	386,220	556,319	49,999	3,011,707
Accounts	-	617	-	-	617
Due from other governments	1,150,258	73,837	-	-	1,224,095
TOTAL ASSETS	\$ 4,160,207	9,534,503	756,925	601,322	15,052,957
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 745,277	102,912	-	2,159	850,348
Salaries and benefits payable	348,212	-	-	-	348,212
Deferred revenue:					
Succeeding year property tax	2,019,169	386,220	556,319	49,999	3,011,707
Other	17,282	-	-	-	17,282
Total liabilities	3,129,940	489,132	556,319	52,158	4,227,549
Fund balances:					
Restricted for:					
Categorical funding	117,572	-	-	-	117,572
School infrastructure	-	8,685,897	-	-	8,685,897
Physical plant and equipment	-	140,974	-	-	140,974
Management levy purposes	-	-	-	524,526	524,526
Student activities	-	-	-	24,638	24,638
Debt service	-	218,500	200,606	-	419,106
Unassigned	912,695	-	-	-	912,695
Total fund balances	1,030,267	9,045,371	200,606	549,164	10,825,408
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,160,207	9,534,503	756,925	601,322	15,052,957

SEE NOTES TO FINANCIAL STATEMENTS.

HUBBARD-RADLCIFFE COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balances of governmental funds(page 20)	\$	10,825,408
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		4,958,525
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(69,879)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		333
Long-term liabilities, including bonds payable, termination benefits payable, compensated absences payable, and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(11,373,074)</u>
Net position of governmental activities(page 18)	\$	<u><u>4,341,313</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

EXHIBIT E

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,035,993	683,222	-	99,989	2,819,204
Tuition	1,072,105	-	-	-	1,072,105
Other	153,451	5,567	4,571	39,244	202,833
State sources	1,695,077	158	-	46	1,695,281
Federal sources	105,631	-	-	-	105,631
TOTAL REVENUES	5,062,257	688,947	4,571	139,279	5,895,054
EXPENDITURES:					
Current:					
Instruction:					
Regular	2,581,937	-	-	113,516	2,695,453
Special	872,721	-	-	-	872,721
Other	286,643	-	-	42,856	329,499
	3,741,301	-	-	156,372	3,897,673
Support services:					
Student	60,498	-	-	-	60,498
Instructional staff	101,638	52,366	-	-	154,004
Administration	489,536	3,913	4,023	8,073	505,545
Operation and maintenance of plant	415,105	28,942	-	35,130	479,177
Transportation	269,570	-	-	10,573	280,143
	1,336,347	85,221	4,023	53,776	1,479,367
Capital outlay	-	450,147	-	-	450,147
Long-term debt:					
Principal	-	-	1,395,000	-	1,395,000
Interest and fiscal charges	-	-	117,658	-	117,658
	-	-	1,512,658	-	1,512,658
Other expenditures:					
AEA flowthrough	158,295	-	-	-	158,295
TOTAL EXPENDITURES	5,235,943	535,368	1,516,681	210,148	7,498,140
Excess(Deficiency) of revenues over(under) expenditures	(173,686)	153,579	(1,512,110)	(70,869)	(1,603,086)
Other financing sources(uses):					
Sale of equipment	1,820	-	-	-	1,820
Premiums on bond issuances	-	207,576	-	-	207,576
Discounts on bond issuances	-	(60,290)	(4,611)	-	(64,901)
General obligation bond issuance	-	8,400,000	-	-	8,400,000
Refunding capital loan issuance	-	-	1,085,000	-	1,085,000
Transfer in	-	-	449,981	-	449,981
Transfer out	-	(449,981)	-	-	(449,981)
Insurance proceeds	-	7,090	-	-	7,090
Total other financing sources(uses)	1,820	8,104,395	1,530,370	-	9,636,585
Change in fund balances	(171,866)	8,257,974	18,260	(70,869)	8,033,499
Fund balances beginning of year	1,202,133	787,397	182,346	620,033	2,791,909
Fund balances end of year	\$ 1,030,267	9,045,371	200,606	549,164	10,825,408

SEE NOTES TO FINANCIAL STATEMENTS.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Change in fund balances - total governmental funds(page 22) \$ 8,033,499

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceed capital outlays in the current year as follows:

Capital outlays	\$ 327,906	
Depreciation expense	<u>(300,900)</u>	27,006

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows:

Issued	(9,485,000)	
Repaid	<u>1,395,000</u>	(8,090,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(30,692)

Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.

2,996

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	(3,382)	
Other postemployment benefits	<u>(25,554)</u>	(28,936)

Bond issue costs are reported as an expense in the governmental fund financial statements when incurred, but are capitalized and amortized over the life of the bonds in the government-wide financial statements.

(48,094)

Other long-term assets are not available to pay current period expenditures and therefore, are deferred in the governmental funds.

(65,170)

Changes in net position of governmental activities(page 19) \$ (199,391)

SEE NOTES TO FINANCIAL STATEMENTS.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	Business Type Activities Enterprise Funds			Governmental Activities: Internal Service Fund
	School Nutrition	Preschool	Total	
<u>ASSETS</u>				
Current assets:				
Cash and pooled investments	\$ 40,409	8,793	49,202	333
Accounts receivable	-	-	-	1,640
Inventories	2,637	-	2,637	-
Total current assets	43,046	8,793	51,839	1,973
Non-current assets:				
Capital assets:				
Machinery and equipment, net of accumulated depreciation	60,294	2,692	62,986	-
TOTAL ASSETS	103,340	11,485	114,825	1,973
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	369	-	369	1,640
Salaries and benefits payable	-	7,154	7,154	-
Unearned revenue	3,042	-	3,042	-
Total current liabilities	3,411	7,154	10,565	1,640
Long-term liabilities:				
Net OPEB liability	-	3,663	3,663	-
TOTAL LIABILITIES	3,411	10,817	14,228	1,640
<u>NET POSITION</u>				
Invested in capital assets	60,294	2,692	62,986	-
Unrestricted	39,635	(2,024)	37,611	333
TOTAL NET POSITION	\$ 99,929	668	100,597	333

SEE NOTES TO FINANCIAL STATEMENTS.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	Business Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	School	Preschool	Total	
	Nutrition			
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 87,250	42,038	129,288	-
Miscellaneous	647	560	1,207	13,140
TOTAL OPERATING REVENUES	87,897	42,598	130,495	13,140
OPERATING EXPENSES:				
Instruction:				
Other:				
Salaries	-	45,593	45,593	-
Benefits	-	27,670	27,670	-
Supplies	-	528	528	-
	-	73,791	73,791	-
Administration:				
Benefits	-	-	-	10,144
Non-instructional programs:				
Food service operations:				
Salaries	56,284	-	56,284	-
Benefits	7,367	-	7,367	-
Services	20,638	-	20,638	-
Supplies	121,512	-	121,512	-
Depreciation	8,625	-	8,625	-
Other	555	-	555	-
	214,981	-	214,981	-
Other enterprise operations:				
Depreciation	-	447	447	-
TOTAL OPERATING EXPENSES	214,981	74,238	289,219	10,144
OPERATING INCOME(LOSS)	(127,084)	(31,640)	(158,724)	2,996
NON-OPERATING REVENUES:				
State sources	1,970	-	1,970	-
Federal sources	126,397	-	126,397	-
Interest on investments	355	213	568	-
TOTAL NON-OPERATING REVENUES	128,722	213	128,935	-
Change in net position before capital contributions	1,638	(31,427)	(29,789)	2,996
Other financing sources:				
Capital contributions	22,863	-	22,863	-
Changes in net position	24,501	(31,427)	(6,926)	2,996
Net position beginning of year	75,428	32,095	107,523	(2,663)
Net position end of year	\$ 99,929	668	100,597	333

SEE NOTES TO FINANCIAL STATEMENTS.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2013

	Business Type Activities Enterprise Funds			Governmental Activities -
	School	Preschool	Total	Internal Service Fund
	Nutrition			
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 88,537	-	88,537	-
Cash received from preschool services	-	42,038	42,038	-
Cash received from miscellaneous	647	560	1,207	13,750
Cash payments to employees for services	(65,712)	(63,594)	(129,306)	(10,144)
Cash payments to suppliers for goods or services	(131,311)	(528)	(131,839)	(3,828)
Net cash used in operating activities	(107,839)	(21,524)	(129,363)	(222)
Cash flows from non-capital financing activities:				
State grants received	1,970	-	1,970	-
Federal grants received	120,712	-	120,712	-
Net cash provided by non-capital financing activities	122,682	-	122,682	-
Cash flows from investing activities:				
Interest on investments	355	213	568	-
Net increase(decrease) in cash and cash equivalents	15,198	(21,311)	(6,113)	(222)
Cash and cash equivalents at beginning of year	25,211	30,104	55,315	555
Cash and cash equivalents at end of year	\$ 40,409	8,793	49,202	333
Reconciliation of operating income(loss) to net cash used in operating activities:				
Operating income(loss)	\$ (127,084)	(31,640)	(158,724)	2,996
Adjustments to reconcile operating income(loss) to net cash used in operating activities:				
Commodities consumed	8,044	-	8,044	-
Depreciation	8,625	447	9,072	-
Decrease in inventories	3,431	-	3,431	-
Decrease in accounts receivable	21	-	21	610
Decrease in accounts payable	(81)	-	(81)	(3,828)
Increase(Decrease) in salary and benefits payable	(568)	6,006	5,438	-
Increase(Decrease) in other postemployment benefits	(1,493)	3,663	2,170	-
Increase in unearned revenue	1,266	-	1,266	-
Net cash used in operating activities	\$ (107,839)	(21,524)	(129,363)	(222)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$8,044.

During the year ended June 30, 2013, the District received capital contributions of \$21,573 from the Capital Projects: Statewide, Sales Services and Use Tax Fund and \$1,290 from the Capital Projects: Physical, Plant and Equipment Levy Fund for a total of \$22,863.

SEE NOTES TO FINANCIAL STATEMENTS.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSTION
FIDUCIARY FUND
JUNE 30, 2013

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 2,933
LIABILITIES	<u>-</u>
NET POSITION	
Restricted for scholarships	<u>\$ 2,933</u>

SEE NOTES TO FINANCIAL STATEMENTS.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Interest	\$	31
Contributions		750
Total additions		<u>781</u>
Deductions:		
Non-instructional programs:		
Scholarships awarded		<u>-</u>
Change in net position		781
Net position beginning of year		<u>2,152</u>
Net position end of year	\$	<u>2,933</u>

SEE NOTES TO FINANCIAL STATEMENTS.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1. Summary of Significant Accounting Policies

The Hubbard-Radcliffe Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Hubbard and Radcliffe, Iowa, and the predominate agricultural territory in a portion of Hardin and Hamilton Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Government Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Hubbard-Radcliffe Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board Criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Hardin and Hamilton County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the activities of the District, with omission of the fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District non-major proprietary funds include the Enterprise: School Nutrition and the Enterprise: Preschool Fund. These funds are used to account for the food service operations and the preschool operations of the District.

The District's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's employee flexible benefit program.

The District also reports the fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for the assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less restrictive classifications - assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements.

Cash, Pooled Investments and Cash Equivalents - The cash balance of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property taxes in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011, assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

Due from Other Governments - Due from other governments represents the amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and governmental commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, equipment, and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ -
Buildings	5,000
Land improvements	5,000
Intangibles	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-50 years
Land improvements	20 years
Intangibles	2-20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as a liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenues consist of unspent federal grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the Statement of Net Position and will be paid in the future out of the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be primarily paid by the General Fund and Enterprise, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in preceding classifications.

Restricted Net Position - In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013 expenditures in the other expenditures functional area exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust, which are valued at an amortized cost of \$9,374,626 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 229,734
Debt Service	Capital Projects: Physical, Plant and Equipment Levy	220,247
Total		<u>\$ 449,981</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's revenue bonded indebtedness.

The transfer from the Capital Projects: Physical, Plant and Equipment Levy Fund to the Debt Service Fund was needed for principal and interest payments on the District's capital loan note indebtedness.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,500	-	-	8,500
Construction in progress	42,720	285,326	117,795	210,251
Total capital assets not being depreciated/amortized	<u>51,220</u>	<u>285,326</u>	<u>117,795</u>	<u>218,751</u>
Capital assets being depreciated/amortized:				
Buildings	7,226,192	117,795	-	7,343,987
Land improvements	97,095	-	-	97,095
Machinery and equipment	1,501,953	42,580	43,500	1,501,033
Intangible assets	6,000	-	-	6,000
Total capital assets being depreciated	<u>8,831,240</u>	<u>160,375</u>	<u>43,500</u>	<u>8,948,115</u>
Less accumulated depreciation/amortization for:				
Buildings	2,758,173	153,462	-	2,911,635
Land improvements	66,338	2,604	-	68,942
Machinery and equipment	1,125,830	144,234	43,500	1,226,564
Intangible assets	600	600	-	1,200
Total accumulated depreciation/amortization	<u>3,950,941</u>	<u>300,900</u>	<u>43,500</u>	<u>4,208,341</u>
Total capital assets being depreciated/amortized, net	<u>4,880,299</u>	<u>(140,525)</u>	<u>-</u>	<u>4,739,774</u>
Governmental activities capital assets, net	<u>\$ 4,931,519</u>	<u>144,801</u>	<u>117,795</u>	<u>4,958,525</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 150,970	22,863	-	173,833
Less accumulated depreciation	101,775	9,072	-	110,847
Business type activities capital assets, net	<u>\$ 49,195</u>	<u>13,791</u>	<u>-</u>	<u>62,986</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 67,865
Other	3,600

Support services:

Operation and maintenance of plant	6,386
Transportation	66,983

	<u>144,834</u>
Unallocated depreciation	<u>156,066</u>

Total governmental activities depreciation expense	<u>\$ 300,900</u>
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Business type activities:

Food services	<u>\$ 9,072</u>
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Note 5. Long-Term Debt

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due within one year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ -	8,400,000	-	8,400,000	360,000
Revenue Bonds	1,910,000	-	145,000	1,765,000	165,000
Capital Loan Notes	1,250,000	1,085,000	1,250,000	1,085,000	215,000
Termination Benefits	16,148	83,429	83,429	16,148	16,148
Compensated Absences	31,617	34,999	31,617	34,999	34,999
Net OPEB Liability	46,373	25,554	-	71,927	-
Total	<u>\$ 3,254,138</u>	<u>9,628,982</u>	<u>1,510,046</u>	<u>11,373,074</u>	<u>791,147</u>
<u>Business Type Activities:</u>					
Net OPEB Liability	<u>1,493</u>	<u>2,170</u>	<u>-</u>	<u>3,663</u>	<u>-</u>

General Obligation

Details of the Districts June 30, 2013 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of May 1, 2013			
	Rate	Principal	Interest	Total
2014	2.00	% \$ 360,000	195,538	555,538
2015	2.00	365,000	188,337	553,337
2016	2.00	375,000	181,038	556,038
2017	2.00	380,000	173,537	553,537
2018	2.00	390,000	165,938	555,938
2019-2023	2.00	1,945,000	714,387	2,659,387
2024-2028	2.00-2.50	2,150,000	507,838	2,657,838
2029-2033	2.75-3.00	2,435,000	219,675	2,654,675
Total		\$ 8,400,000	2,346,288	10,746,288

Revenues Bonds

Details of the District's June 30, 2013 statewide, sales, services and use tax bonded indebtedness are as follows:

Year Ended June 30,	Bond Issue July 1, 2009			
	Rate	Principal	Interest	Total
2014	2.80	% \$ 165,000	64,380	229,380
2015	2.00	165,000	59,430	224,430
2016	2.00	170,000	53,900	223,900
2017	3.60	170,000	47,950	217,950
2018	3.75	175,000	41,609	216,609
2019-2023	3.90-4.45	920,000	100,049	1,020,049
Total		\$ 1,765,000	367,318	2,132,318

The District has pledged futures statewide sales, services and use tax revenues to repay the \$2,185,000 bonds issued on July 1, 2009. The bonds were issued for purpose of financing the elementary school remodeling. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on bonds are expected to required nearly 70% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,132,318. For the current year, principal and interest of \$213,430 were paid on the bonds and total statewide sales, services and use tax revenues were \$327,356.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$218,500 of the proceeds from the issuance of the revenue bonds shall be deposited into a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account. The reserve account is part of the District's Capital Projects Fund.

- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Capital Loan Notes

Details of the District’s June 30, 2013 capital loan note indebtedness that will be paid from the Capital Projects: Physical Plant and Equipment Levy Fund are as follows:

Year Ended June 30,	Capital Loan Note Refunding Issue May 15, 2013				
	Rate	Principal	Interest	Total	
2014	0.40 %	\$ 215,000	6,590	221,590	
2015	0.45	215,000	5,450	220,450	
2016	0.55	215,000	4,483	219,483	
2017	0.65	220,000	3,300	223,300	
2018	0.85	220,000	1,870	221,870	
Total		\$ 1,085,000	21,693	1,106,693	

Termination Benefits

The District offered a voluntary early retirement plan to its support staff employees during fiscal year 2013. Employees must have completed a minimum of twenty-four years of service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. Each employee application is subject to approval by the District’s Board of Directors.

The early retirement benefit for each eligible employee is equal to \$15,000 subject to applicable taxes and withholdings payable by the District on or before December 31, 2013 for a total benefit of \$16,148.

The District also approved early retirement plan for the District’s administrators during fiscal year 2013. Employees must have completed a minimum of five years of professional service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. Applications are subject to approval by the District’s Board of Directors.

The early retirement benefit for each eligible administrator is equal to one-half administrators contracted fiscal 2013 salary subject to applicable taxes and withholdings payable by the District on or before December 31, 2013. The District had one administrator retire during the year. The District paid out this employee on March 31, 2013 in the amount of \$67,281.

At June 30, 2013, the District has obligations to one participant with a total liability of \$16,148. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$83,429. The cost of early retirement payments expected to be paid are recorded as a long-term liability of the Governmental Activities in the Government-wide financial statements.

Note 6. Current Refunding

On May 15, 2013, the District issued a \$1,085,000 capital loan note with interest rates from 0.40 to 0.85 percent to refund \$1,060,000 of the outstanding capital loan notes dated September 1, 2008 with interest rates from 3.75 to 4.20 percent. The new refunding note has been added to the appropriate financial statements and schedules. The economic savings for the refunding is \$84,679.

Note 7. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 30 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 47,457
Interest on net OPEB obligation	1,197
Adjustment to annual required contribution	(5,648)
Annual OPEB cost	<u>43,006</u>
Contributions made	<u>(15,282)</u>
Increase in net OPEB obligation	27,724
Net OPEB obligation beginning of year	<u>47,866</u>
Net OPEB obligation end of year	<u>\$ 75,590</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$15,282 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 is summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 20,637	23.30 %	\$ 26,682
2012	22,409	5.47	47,866
2013	43,006	35.53	75,590

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$236,650 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$236,650. The covered payroll (annual payroll of active employees covered by the plan) was \$1,389,551 and the ratio of the UAAL to covered payroll was 17.0%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$709 a month for the Classic 750 Single Plan, and \$1,821 for a Family Plan. The Select 2000 plan has a cost of \$584 per month for a Single Plan and \$501 a month for a Family Plan. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$200,854, \$176,115 and \$146,745 respectively, equal to the required contributions for each year.

Note 9. Risk Management

Hubbard-Radcliffe Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$158,295 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Operating Lease Commitment

The District entered into contracts to lease copy machines. The remaining payments the District will make over the next four years are as follows:

Year Ending June 30,	Lease Payment
2014	\$ 10,304
2015	6,828
2016	5,928
2017	2,334
Total	<u>\$ 25,394</u>

Note 12. Categorical Funding

The District's restricted balance for categorical funding at June 30, 2013 is comprised of the following programs:

Program	Amount
Homse school assistance	\$ 63,686
Gifted and talented	33,009
Teacher salary supplement	414
Four-year old preschool state aid	17,941
Professional development	2,003
Market factor incentives	519
Total	<u>\$ 117,572</u>

Note 13. Construction Commitment

The District had entered into various contracts for building improvements totaling \$1,321,111. As of June 30, 2013 costs of \$210,251 had been incurred against these contracts. The remaining balance of \$1,110,860 will be paid out as work on the project progresses.

Note 14. Budget Overexpenditure

Per the code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2013, the District exceeded its budgeted amount in the other expenditures functional area.

Note 15. Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position are as follows:

	Invested in Capital Assets	School Infrastructure	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	8,685,897	524,526	419,106	912,695
Invested in capital assets, net of accumulated depreciation	4,958,525	-	-	-	-
General obligation bond capitalized indebtedness	(88,638)	-	-	-	-
Revenue bond capitalized indebtedness	(1,765,000)	-	-	-	-
General obligation bond proceeds not expended	-	(8,311,362)	-	-	-
Computer lease capitalized indebtedness	(1,085,000)	-	-	-	-
Termination benefits	-	-	(16,148)	-	-
Accrued interest payable	-	-	-	(69,879)	-
Internal service fund	-	-	-	-	333
Compensated absences	-	-	-	-	(34,999)
Net OPEB liability	-	-	-	-	(71,927)
Net position (Exhibit A)	\$ 2,019,887	374,535	508,378	349,227	806,102

Hubbard-Radcliffe Community School District

Required Supplementary Information

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 4,094,142	131,063	4,225,205	4,314,608	4,314,608	(89,403)
State sources	1,695,281	1,970	1,697,251	1,708,668	1,708,668	(11,417)
Federal sources	105,631	126,397	232,028	281,000	281,000	(48,972)
Total revenues	5,895,054	259,430	6,154,484	6,304,276	6,304,276	(149,792)
Expenditures/Expenses:						
Instruction	3,897,673	73,791	3,971,464	3,993,556	3,993,556	22,092
Support services	1,479,367	-	1,479,367	2,215,000	2,215,000	735,633
Non-instructional programs	-	215,428	215,428	260,296	260,296	44,868
Other expenditures	2,121,100	-	2,121,100	1,434,125	1,434,125	(686,975)
Total expenditures/expenses	7,498,140	289,219	7,787,359	7,902,977	7,902,977	115,618
Excess(Deficiency) of revenues over(under) expenditures/expenses	(1,603,086)	(29,789)	(1,632,875)	(1,598,701)	(1,598,701)	(34,174)
Other financing sources, net	9,636,585	22,863	9,659,448	500	500	9,658,948
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	8,033,499	(6,926)	8,026,573	(1,598,201)	(1,598,201)	9,624,774
Balance beginning of year	2,791,909	107,523	2,899,432	2,758,672	2,758,672	140,760
Balance end of year	\$ 10,825,408	100,597	10,926,005	1,160,471	1,160,471	9,765,534

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2013, the District exceeded the amounts budgeted in the other expenditures functional area.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 112,814	\$ 112,814	0.0 %	1,036,000	10.9 %
2011	July 1, 2009	-	106,322	106,322	0.0	1,270,000	8.4
2012	July 1, 2009	-	96,125	96,125	0.0	1,260,000	7.6
2013	July 1, 2012	-	236,650	236,650	0.0	1,389,551	17.0

See Note 7 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Supplementary Information

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 523,231	26,797	550,028
Receivables:			
Property tax:			
Delinquent	1,295	-	1,295
Succeeding year	49,999	-	49,999
TOTAL ASSETS	\$ 574,525	26,797	601,322
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	2,159	2,159
Deferred revenue:			
Succeeding year property tax	49,999	-	49,999
Total liabilities	49,999	2,159	52,158
Fund balances:			
Restricted for:			
Student activities	-	24,638	24,638
Management levy purposes	524,526	-	524,526
Total fund balances	524,526	24,638	549,164
TOTAL LIABILITIES AND FUND BALANCES	\$ 574,525	26,797	601,322

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 99,989	-	99,989
Other	7,104	32,140	39,244
State sources	46	-	46
TOTAL REVENUES	107,139	32,140	139,279
EXPENDITURES:			
Current:			
Instruction:			
Regular	113,516	-	113,516
Other	-	42,856	42,856
Support services:			
Administration	8,073	-	8,073
Operation and maintenance of plant	35,130	-	35,130
Transportation	10,573	-	10,573
TOTAL EXPENDITURES	167,292	42,856	210,148
Change in fund balances	(60,153)	(10,716)	(70,869)
Fund balances beginning of year	584,679	35,354	620,033
Fund balances end of year	\$ 524,526	24,638	549,164

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2013

	Capital Projects			
	G.O. Bond Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 8,374,733	557,120	137,495	9,069,348
Receivables:				
Property tax:				
Delinquent	-	-	4,481	4,481
Succeeding year	-	-	386,220	386,220
Accounts	-	-	617	617
Due from other governments	-	73,837	-	73,837
TOTAL ASSETS	\$ 8,374,733	630,957	528,813	9,534,503
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 63,371	37,922	1,619	102,912
Deferred revenue				
Property tax:				
Succeeding year	-	-	386,220	386,220
Total liabilities	63,371	37,922	387,839	489,132
Fund balances:				
Restricted for:				
School infrastructure	8,311,362	374,535	-	8,685,897
Physical plant and equipment	-	-	140,974	140,974
Debt service	-	218,500	-	218,500
Total fund balances	8,311,362	593,035	140,974	9,045,371
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,374,733	630,957	528,813	9,534,503

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Capital Projects			Total
	G.O. Bond Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ -	327,356	355,866	683,222
Other	1,149	3,353	1,065	5,567
State sources	-	-	158	158
TOTAL REVENUES	1,149	330,709	357,089	688,947
EXPENDITURES:				
Current:				
Support services:				
Instructional staff	-	37,922	14,444	52,366
Administration	10	-	3,903	3,913
Operation and maintenance of plant	-	-	28,942	28,942
Capital outlay	237,063	196,189	16,895	450,147
TOTAL EXPENDITURES	237,073	234,111	64,184	535,368
Excesss of revenues over(under) expenditures	(235,924)	96,598	292,905	153,579
Other financing uses:				
General obligation bond issuance	8,400,000	-	-	8,400,000
Premium on general obligation bond issuance	207,576	-	-	207,576
Discount on general obligation bond issuance	(60,290)	-	-	(60,290)
Transfers out	-	(229,734)	(220,247)	(449,981)
Insurance proceeds	-	-	7,090	7,090
Total other financing (sources) uses	8,547,286	(229,734)	(213,157)	8,104,395
Change in fund balances	8,311,362	(133,136)	79,748	8,257,974
Fund balances beginning of year	-	726,171	61,226	787,397
Fund balances end of year	\$ 8,311,362	593,035	140,974	9,045,371

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
ATHLETICS	\$ 12,880	866	9,275	4,471
CONCESSIONS	3,174	6,577	7,360	2,391
INTEREST	3,989	343	1,370	2,962
VOCAL/INSTURMENTAL MUSIC	4,632	1,086	1,633	4,085
DC TRIP	3,546	172	1,288	2,430
YEARBOOK	847	2,745	3,592	-
STUDENT COUNCIL MS	2,782	19,047	16,233	5,596
ELEMENTARY COUNCIL	3,504	1,304	2,105	2,703
TOTALS	\$ 35,354	32,140	42,856	24,638

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 2,819,204	3,154,679	3,018,393	2,933,033	2,715,816	2,513,423	2,528,008	2,253,036	2,200,881	2,156,433
Tuition	1,072,105	896,249	956,233	974,668	1,020,659	1,136,748	29,586	84,864	44,568	39,597
Other	202,833	201,226	233,569	257,689	222,608	180,198	226,845	157,339	262,537	243,150
State sources	1,695,281	1,650,040	1,639,519	1,462,811	1,899,262	1,818,506	1,831,432	1,807,043	1,692,362	1,508,423
Federal sources	105,631	182,177	216,044	346,574	155,420	155,491	144,144	125,405	121,244	172,435
Total	\$ 5,895,054	6,084,371	6,063,758	5,974,775	6,013,765	5,804,366	4,760,015	4,427,687	4,321,592	4,120,038
Expenditures:										
Instruction:										
Regular	\$ 2,695,453	2,413,679	2,319,924	2,499,108	2,682,730	2,636,782	2,055,842	1,916,754	1,954,037	1,965,947
Special	872,721	846,458	763,729	853,260	815,785	772,538	411,256	361,299	326,630	383,177
Other	329,499	354,102	310,733	311,321	278,669	174,720	247,180	465,147	429,607	304,244
Support services:										
Student	60,498	62,706	58,665	49,960	48,732	74,462	87,798	91,791	96,488	111,425
Instructional staff	154,004	227,455	139,770	87,913	97,204	178,271	86,143	161,187	204,951	104,988
Administration	505,545	481,171	447,262	458,426	517,309	404,632	457,328	471,691	443,695	461,871
Operation and maintenance of plant	479,177	468,866	498,748	510,552	527,977	508,840	516,341	436,886	437,174	413,990
Transportation	280,143	279,835	350,865	266,193	335,715	269,133	200,653	287,920	183,955	168,062
Non-instructional programs	-	1,341	795	-	127	1,192	531	131	17,250	20,565
Capital outlay	450,147	288,175	657,774	2,161,090	1,863,800	362,267	105,716	288,708	209,833	175,239
Long-term debt:										
Principal	1,395,000	325,000	310,000	170,000	185,000	21,237	19,507	-	55,258	55,635
Interest and fiscal charges	117,658	129,180	137,231	105,680	53,816	1,530	3,260	-	1,429	2,787
Other expenditures:										
AEA flow-through	158,295	162,786	182,816	181,512	162,072	152,748	148,045	142,709	141,865	145,421
Total	\$ 7,498,140	6,040,754	6,178,312	7,655,015	7,568,936	5,558,352	4,339,600	4,624,223	4,502,172	4,313,351

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

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Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Hubbard-Radcliffe Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Hubbard-Radcliffe Community School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hubbard-Radcliffe Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hubbard-Radcliffe Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hubbard-Radcliffe Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-13 to I-D-13 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hubbard-Radcliffe Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could

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have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Hubbard-Radcliffe Community School District's Responses to Findings

Hubbard-Radcliffe Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Hubbard-Radcliffe Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Hubbard-Radcliffe Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

February 21, 2014
Newton, Iowa

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

I-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Wire transfers - processing and approving.
- 8) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 9) Transfers - preparing and approving.
- 10) Financial reporting - preparing, reconciling and approving.
- 11) Computer systems - performing all general accounting functions and controlling all data input and output.
- 12) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing current personnel, including elected officials.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

I-B-13 Gate Admissions - Pre-numbered tickets are not being used for all performances and athletic events held on District grounds.

Recommendation - The District should adopt a Board policy addressing internal control procedures for handling cash for all performances and athletic events. The policy, at a minimum, should include the following:

- a. Change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in ticket sales/cash collecting process. The individuals responsible for ticket sales/cash collecting during the event should be instructed not to leave the change box unattended under any circumstances.
- d. Upon completion of the event, cash should be reconciled by two or more individuals to the number of pre-numbered tickets sold during the event and the amount of beginning cash in the change box.
- e. To reconcile, the next unsold ticket minus the beginning ticket number determines the actual number of tickets sold. The number of tickets sold times the price per ticket equals total sales. Total sales compared to total collections should reconcile. Variances, if any, should be small.
- f. A reconciliation sheet should be completed and signed off on by all individuals responsible for counting and reconciling cash.
- g. The change box should be turned into the Activity Director or designee responsible for the accounting function at the event.
- h. The Activity Director or designee should be required to either take to the night deposit at the bank or lock the event proceeds in the District's vault until a deposit can be made the following business day.
- i. A pre-numbered receipt should be written by an individual in the Business Office the next day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically test or review the gate admissions process to ensure that the adopted procedures are being followed properly.
- k. Segregation of duties should be maintained as much as possible throughout the gate admissions process.

Response - The District will implement a ticket system for the events which we charge admission.

Conclusion - Response accepted.

I-C-13 Student Activity Fund Interest - We noted during our audit that the Student Activity Fund has an interest account. It appears that interest earned during the year has not been allocated to individual accounts in the Student Activity Fund that have earned the interest. With the high carryover balance in the interest account, it would appear that the interest has not been allocated for several years.

Recommendation - Interest earned each year should be allocated to the individual student activity accounts that have earned the interest. The District's Board of Directors should develop a workout plan to gradually reduce the carryover balance in the interest account to zero.

Response - The District will develop a workout plan for reducing the interest balance and will allocate interest earned to the accounts that earned them once a year.

Conclusion - Response accepted.

I-D-13 Commodity Pricing - We noted during the audit that the commodity food listing was not priced out using commodity values provided by the Department of Education and therefore the amount of inventory was under reported on the Balance Sheet.

Recommendation - The District should review their procedures to ensure that the commodity food is priced out correctly.

Response - The District will review their procedures and ensure that commodity food is priced out correctly using the values provided by the Department of Education.

Conclusion - Response accepted.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - District disbursements for the year ended June 30, 2013 exceeded the amounts budgeted in the other expenditures functional area.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The District will review budgeted expenditures and correctly amend the budget when required in accordance with Chapter 24.9 of the Code of Iowa.

Conclusion - Response accepted.

II-B-13 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-13 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-13 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students which were reported was understated by 1.0 student. This was due to the District not counting a resident student that they should have.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and the Department of Management to resolve this matter.

Conclusion - Response accepted.

II-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-13 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted

II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and we noted not significant deficiencies in the amounts reported.

II-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	726,171
Revenues:			
Sales tax revenues	\$	327,356	
Other local revenues		3,353	330,709
Total revenues			<u>1,056,880</u>
Expenditures:			
School infrastructure construction		196,189	
Other		37,922	
Transfers to other funds:			
Debt service fund		229,734	463,845
Ending balance			<u><u>\$ 593,035</u></u>

For the year ended June 30, 2013 the District did not reduced any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-13 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. More specific examples of these instances of questioned items and recommendations are as follows:

Commissions: We noted Life Touch picture commissions and were being recorded in the Elementary and Middle School Student Council accounts in the Student Activity Fund.

Recommendation - According to Chapter 298A.2 of the Code of Iowa all money received by a District must be accounted for in the General Fund except for money required by law to be accounted for in another fund. Commissions are not specifically identified as allowable revenue for the Student Activity Fund, therefore Lifetouch commissions should be receipted into the General Fund.

Response - The District will receipt Lifetouch commissions into the General fund when they are received.

Conclusion - Response accepted.

- II-N-13 Checks Outstanding - We noted during our audit that the District had checks included in the District's bank reconciliation which have been outstanding for over a year. Chapter 556.1(10) and 556.11 of the Code of Iowa, require District's to report unclaimed property to the State Treasurer annually before November 1st.

Recommendation - The District should research the outstanding checks to determine if they should be re-issued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response - The District will research and take the appropriate action regarding any outstanding checks.

Conclusion - Response accepted.

- II-O-13 Electronic Check Retention - Chapter 291.6 of the code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. During our audit, we noted there were no electronic images or copies of the backs of checks written from District's bank accounts during fiscal 2013.

Recommendation - The District Secretary should be required by the Board of Directors of the District to preserve all copies of pertinent paperwork for the District to be in compliance with 291.6 of the Code of Iowa. The District could choose to retain electronic images of the front and back of each cancelled check to be in compliance with Chapter 554D.114 of the Code of Iowa.

Response - The District will contact its bank and take the appropriate action to ensure that it will receive the images of both the fronts and backs of cancelled checks.

Conclusion - Response accepted.

- II-P-13 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - The District has taken steps to ensure that all non-certified staff coaches are keeping time sheets.

Conclusion - Response accepted.